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**STATE OF WASHINGTON
KING COUNTY SUPERIOR COURT**

IN RE: FRANCHISE NO POACHING
PROVISIONS

(GOLD'S GYM FRANCHISING LLC)

NO. 19-2-24755-0

GOLD'S GYM FRANCHISING LLC
ASSURANCE OF
DISCONTINUANCE

The State of Washington, by and through its attorneys, Robert W. Ferguson, Attorney General, and Rahul Rao, Assistant Attorney General, files this Assurance of Discontinuance (AOD) under RCW 19.86.100.

1.1 PARTIES

1.2 In August 2019, the Attorney General initiated an investigation into GOLD'S GYM FRANCHISING LLC (GGF) relating to its hiring practices.

1.3 GGF is a Delaware limited liability company with its principal office or place of business at 4001 Maple Avenue, Suite 200, Dallas, Texas 75219. GGF is in the business of offering franchises for health clubs primarily identified by the Gold's Gym trademark (each a Gold's Gym business).

1.4 For the purposes of this AOD, GGF includes its directors, officers, managers, agents acting within the scope of their agency, and employees as well as its successor and assigns, controlled subsidiaries, divisions, groups, affiliates, partnerships, and joint ventures.

1 II. INVESTIGATION

2 2.1. Currently, there are five (5) Gold's Gym businesses operating in Washington and
3 two (2) that are in development. All seven (7) are owned and operated by third-party, unaffiliated
4 franchisees.

5 2.2. For years, GGF has included language in its franchise agreements that restricted a
6 franchisee's ability to solicit or hire workers from GGF, its affiliates or another GGF franchisee,
7 in each case, without the prior consent of the worker's employer (no-poaching provision).
8 Specifically, the standard GGF franchise agreement stated that a franchisee would not "employ
9 or seek to employ any person who is, or within 6 months of such employment or solicitation was,
10 an employee of [GGF], [GGF's] affiliates or [GGF's] or their franchisees or licensees, or
11 otherwise directly or indirectly induce that person to leave the employment, without obtaining
12 that person's and the employer's prior written permission ." A no-poaching provision restricted
13 franchisees from hiring both employees from a competing franchisee and from GGF's corporate-
14 owned stores.

15 2.3. The Attorney General asserts that the foregoing conduct constitutes a contract,
16 combination, or conspiracy in restraint of trade in violation of the Consumer Protection Act, RCW
17 19.86.030.

18 2.4. GGF expressly denies the conduct described above constitutes a contract,
19 combination, or conspiracy in restraint of trade in violation of the Consumer Protection Act, RCW
20 19.86.030, or any other law, and expressly denies it has engaged in conduct that constitutes a
21 contract, combination, or conspiracy in restraint of trade. GGF enters into this AOD to avoid
22 protracted and expensive litigation. Pursuant to RCW 19.86.100, neither this AOD nor its terms
23 shall be construed as an admission of law, fact, liability, misconduct, or wrongdoing on the part
24 of GGF.

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1 III. ASSURANCE OF DISCONTINUANCE

2 3.1. Subject to paragraph 2.4 above, GGF agrees:

3 3.1.1 It will no longer include no-poach provisions in any of its future franchise
4 agreements;

5 3.1.2 It will no longer enforce no-poaching provisions in any of its existing
6 franchise agreements, and will not seek to intervene or defend in any way the legality of any no-
7 poach provision in any litigation in which a franchisee may claim third-party beneficiary status
8 rights to enforce an existing no-poach provision;

9 3.1.3 It will notify all of its franchisees of the entry of this agreement with the
10 State, and provide them a copy of the AOD upon request;

11 3.1.4 It will notify the Attorney General's Office if it learns of any effort by a
12 franchisee in Washington to enforce any existing no-poach provision.

13 3.2. Within 60 days of entry of this AOD, GGF will exercise all reasonable commercial
14 efforts to amend all existing franchise agreements with entities in Washington to remove any no-
15 poaching provisions in its existing franchise agreements. GGF is under no obligation to offer any
16 franchisee any monetary or non-monetary consideration to induce them to accept the proposed
17 amendment of the franchise, and it shall be under no obligation to take any coercive action against
18 a franchisee that may refuse or decline to agree to any amendment of its franchise agreement. If
19 any franchise owner is unwilling to consent to the change to its franchise agreement, prior to the
20 60-day deadline, GGF shall provide the name and address of the resisting franchisee and the name
21 and address of the franchisee's registered agent to the Office of the Attorney General.

22 3.3. As they come up for either renewal or renegotiation during the ordinary course of
23 business, GGF will amend all of its existing franchise agreements on a nationwide basis to remove
24 any no-poach provision.

1 file suit or take any further investigative or enforcement action with respect to the acts set forth
2 above that occurred before the date of entry of this AOD.

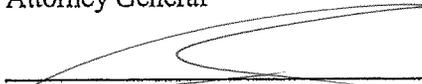
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APPROVED ON this ____ day of _____, 2019.

JUDGE/COURT COMMISSIONER

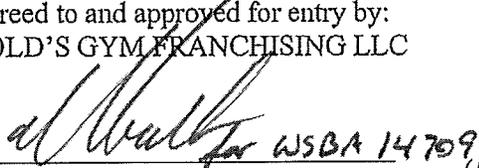
1 Presented by:

2 ROBERT W. FERGUSON
3 Attorney General

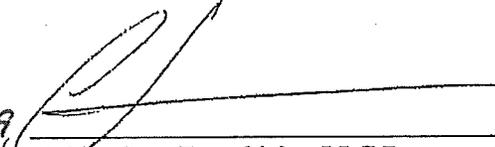
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14 Agreed to and approved for entry by:
15 GOLD'S GYM FRANCHISING LLC

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26 Gold's Gym Franchising LLC Representative
CRAIG SHERWOOD
Chief Development Officer